

Date: June 10, 2016

To: Districts using Fund 73 for OPEB

From: Gene Fornecker, School Finance Auditor  
School Financial Services Team

Subject: Fund 73 OPEB trust reminders

This document provides guidance for districts using a Fund 73 OPEB trust. There have been no major changes in guidance since June 2014, so this is a review of existing guidance.

Updated documents on the [Benefit Trust Fund](#) site include:

- Updated Excel worksheet to determine special education 2015-16 categorical aid eligibility based on 2014-15 costs.

### **1. Sample of Activity Updated July 2014 - Retiree Payments Directly to Insurance Vendor**

The implicit rate subsidy is calculated based on the amount of premiums the district's health insurance or long term care insurance vendor receives on behalf of the retirees, however funded. This includes both money the vendor receives from the trust, district or retiree. If a retiree pays the insurance company directly for their portion of the premium (self-pay), the district should still include that amount in the implicit rate subsidy calculation. The district may need to contact the insurance vendor in order to obtain the self-pay amounts.

Districts should use the updated calculation in the Sample of Activity to calculate the implicit rate subsidy for 2015-16. On Exhibit A, #2, the yellow boxes were separated for retiree portion remitted to the trust and retiree portion paid directly to insurance vendor by retiree (self-pay). To accurately reflect the retiree amounts throughout the Sample of Activity workbook, there are now 6 yellow boxes under #2 instead of 4. The self-pay amount is included on the Sample of Activity only for the calculation of the actual implicit rate subsidy and is not included in any of the entries throughout the workbook.

### **2. Implicit Rate Subsidy Payback - Does your district need to do it?**

The implicit rate subsidy payback is an expenditure of the trust if retirees remain on the district's health insurance or long term care insurance plans unless the district has one of the following exceptions, which have no impact on the premium paid by active employees. The implicit rate subsidy payback applies unless the district:

1. Is self funded and the trust pays actual medical costs;

2. Is part of the community rated Employee Trust Fund (ETF) State Group Health Plan;
3. Has retiree plans and active employee plans rated separately, and active employee rates do not subsidize the retiree rates; or
4. Is immaterial (as determined by the actuary).

**3. Implicit Rate Subsidy Payback - Expenditure Object Code 994 in Fund 73**

Districts should account for the implicit rate subsidy payment from the trust to the district using object 994. This object was new in 2012-13 and is required to be used in 2015-16 when making the implicit rate subsidy payback.

**4. Allocation Requirement - Contribution and Implicit Rate Subsidy Payback**

The contribution into the trust, up to the ARC amount, should be allocated to the fund, function, project and object 218 of all active employee plan members. Amounts in excess of the ARC should be coded to function 292000, object 218. The implicit rate subsidy payment received by the district is a credit to active employee plan member's health care costs. The implicit rate subsidy should be allocated to the fund, function, project and object 241 of all active employee plan members with health insurance.

**5. Budget Requirement and PI-1202 - Contribution and Implicit Rate Subsidy Payback**

All activity relating to the trust needs to be budgeted. This includes the contribution and the implicit rate subsidy payback. These amounts must also be included as benefits to the active employees on the PI-1202 staffing report.

**6. Contribution Deadline**

The physical cash contribution into the OPEB trust must be completed by July 30, 2016, in order to be recorded as an expenditure in 2015-16 for aid purposes. Any contribution completed after July 30, 2016, will be recorded as an expenditure in 2016-17.

**7. Cash Movement and District Transactions**

All transactions relating to the Fund 73 trust should have actual physical cash movement involved. There should be no netting of activity with journal entries. Cash for the full contribution should be transferred to the trust, cash for the full implicit rate subsidy payback should be transferred to the district, and if the trust reimburses the district for retiree expenditures throughout the year, the full amount of reimbursement should be transferred. If there is a retiree paid portion that is deposited into Fund 10, this amount should also have full cash movement into the trust. If the district (Fund 10) pays or receives cash relating to the trust, it should be set up as a Due From Fund 73 or Due to Fund 73 upon payment to the vendor or receipt of the retiree portion. The retiree transactions should never be recorded as

an expenditure or revenue in Fund 10.

**8. Special Education Categorical Aid Eligibility Worksheet**

The Special Education Categorical Aid Eligibility Worksheet has been updated for 2015-16 and includes 2014-15 data. The worksheet can be found on the Benefit Trust Fund page on the SFS website.

**9. New Actuarial Studies - Send to DPI**

If your district is due for a new study for 2015-16, please send Gene Fornecker a copy of the study when it is completed. If your district has not yet started the process for the new study that is required for 2015-16, please contact your actuary right away so your new study will be available for your audit.

**10. Fund 73 Fair Market Value at the End of the Year**

Unrealized gains and losses are typically not recorded for DPI purposes. Starting with the fiscal year ending June 30, 2014, both realized and unrealized activity should be accounted for in Fund 73. The investment balance in the PI-1505 should reflect the market value of the investment. Source 957 was added for Unrealized Gains on Investments and Object 998 for Unrealized Losses on Investments.

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